

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (6/04):
BUTTER: Grade AA closed at \$1.8750. The weekly average for Grade AA is \$1.8500 (+0.0050).

CHEESE: Barrels closed at \$1.7700 and blocks at \$1.8000. The weekly average for barrels is \$1.7700 (N.C.) and blocks, \$1.8000 (N.C.).

NONFAT DRY MILK: Extra Grade closed at \$0.9200 and Grade A at \$0.9200. The weekly average for both Extra Grade and Grade A is \$0.9200 (N.C.).

BUTTER: Cash butter prices are firming following the sharp decline of last week. Churning activity over the Memorial Day holiday weekend was quite active across the country as milk volumes for this holiday period were the heaviest in several years. Milk and cream volumes were readily available, but not as heavy as some producers anticipated, especially from out of region sources. Stocks of butter continue to lag previous years. This holiday period did provide some additional inventories for summer and fall needs. In general, producers and handlers seem to still feel that butter supplies will be tight through the summer and into the fall peak demand season. Butter demand is fair at best. Retail butter sales are slowing as high prices are impacting consumer interest. Food service orders are fairly active as businesses prepare for the summer vacation season.

CHEESE: The cheese market is unsettled to weak. Orders were slow to develop following the holiday weekend. Some buyers are taking advantage of lower prices to replace depleted stocks while others continue to hold out for possible additional weakness. Cheese production remains heavy with milk receipts around annual peak levels. Manufacturing milk supplies remain ample. Some plant operators are a little more interested in making purchases in June since milk prices are expected to decline. Plant cheese inventories remain heavy. Cheese sales on the Chicago Mercantile Exchange have been heavier over the past 2 weeks with the combined two-week total nearly 200 loads. CCC announced Invitation 080 to PCD4, seeking to purchases between 79,200 and 316,800 pounds of Kosher process cheese. Offers are due June 10.

FLUID MILK: Milk production patterns across the country are basically following seasonal trends. From Florida and across the southern tier of states to southern California, temperatures and humidity levels are increasing quite sharply which many milk handlers feel will curtail further production increases. Often, milk handlers report that receipts are lower than previous weeks. Further north, temperatures and weather conditions are quite mild and milk production is at or very near peak levels. Milk volumes over the past Memorial Day holiday period were heavy in most areas of the country, but for the most part, were handled with relative ease. Bottled milk sales remain sluggish due to higher retail prices and more schools closing for the summer. Heavy volumes of cream were available to churns with most of this cream entering local churns with minimal volumes traveling great distances looking for a home. Now that the holiday

weekend has passed, hard ice cream production is gearing back up to pre-holiday levels. Lower cream prices are attracting more interest from hard ice cream producers.

DRY PRODUCTS: Nonfat dry milk markets are mostly steady although prices are unchanged to higher. Heavier milk intakes were noted across the country over the past holiday weekend, encouraging low heat production. For the most part, the extra milk was handled easily. Demand is generally good for both current production and the government NDM that continues to be in the market. The CCC announced an invitation to sellback approximately 4 million pounds of NDM for unrestricted use. Offers are due June 7. Buttermilk powder prices and the market tone are basically unchanged. Buttermilk production is increasing as more milk and cream flows into churns. The extra powder is welcomed to help producers catch up with past due orders. Stocks are light and mainly committed. Whey powder markets are steady to weak with prices unchanged to lower. Whey stocks are mixed with some producers and handlers stating that they are sold out, some indicate that they have stocks, while others are trying to catch up with contract shipping schedules. More milk has been available for the past few weeks, but often, cheese plants have been hesitant to accept any additional supplies with the current price relationship between milk and cheese.

CCC: For the week of May 31 – June 4, CCC purchased 4,736,683 pounds of non-fortified NDM through the Export Donation Program under Invitation 080 to Announcement FMP1. The estimated cumulative total under Invitation 080 is 45,634,521 pounds.

CLASS AND COMPONENT PRICES (DAIRY PROGRAMS): The following are the May 2004 prices under the Federal Milk Order pricing system with changes from the month prior: Class II \$15.03 (-\$0.18), Class III \$20.58 (+0.92), and Class IV \$14.50 (-\$0.07). Product price averages used in computing Class prices are: butter \$2.1385, NDM \$0.8383, cheese \$2.1266 and dry whey \$0.2992. The Class II butterfat price is \$2.4352 and the Class III/IV butterfat price is \$2.4282. Further information may be found at: <http://www.ams.usda.gov/dyfmoms/mib/classprcacnmt.pdf>

MAY AGRICULTURAL PRICES HIGHLIGHTS: The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in May 2004 advanced 1 point to 134. Compared with May 2003, the index was up 7 points (5.5%). The index of prices received by farmers for dairy products advanced 16 points during the month of May 2004 to 155. Compared with May 2003, the index was up 71 points (84.5%). Prices received by farmers in May with changes from April were: for All Milk, \$20.30, up \$2.10; Fluid Grade Milk, \$20.30, up \$2.10; and for Manufacturing Grade Milk, \$20.70, up \$1.30. The May milk/feed price ratio is at 3.36, the highest it has been since October 2001. This ratio compares to 3.13 last month and 2.19 in May of last year.

******SPECIAL THIS ISSUE******

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY MAY 31	TUESDAY JUNE 1	WEDNESDAY JUNE 2	THURSDAY JUNE 3	FRIDAY JUNE 4	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	NO	\$1.7700 (N.C.)	\$1.7700 (N.C.)	\$1.7700 (N.C.)	\$1.7700 (N.C.)	N.C.	\$1.7700 (N.C.)
40# BLOCKS	TRADING,	\$1.8000 (N.C.)	\$1.8000 (N.C.)	\$1.8000 (N.C.)	\$1.8000 (N.C.)	N.C.	\$1.8000 (N.C.)
NONFAT DRY MILK							
EXTRA GRADE	MEMORIAL	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	N.C.	\$.9200 (N.C.)
GRADE A	DAY	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	\$.9200 (N.C.)	N.C.	\$.9200 (N.C.)
BUTTER							
GRADE AA		-----	\$1.8250 (+.0100)	-----	\$1.8750 (+.0500)	(+.0600)	\$1.8500 (+.0050)

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM

CHICAGO MERCANTILE EXCHANGE

MONDAY, MAY 31, 2004 -- NO TRADING

TUESDAY, JUNE 1, 2004

CHEESE -- SALES: 14 CARS 40# BLOCKS: 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.8000
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, JUNE 2, 2004

CHEESE -- SALES: 3 CARS BARRELS: 1 @ \$1.7600, 2 @ \$1.7700; 19 CARS 40# BLOCKS: 2 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.7700; 1 CAR 40# BLOCKS @ \$1.8000
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 33 CARS GRADE AA: 12 @ \$1.8150, 1 @ \$1.8175, 4 @ \$1.8200, 1 @ \$1.8175, 7 @ \$1.8200, 1 @ \$1.8175, 1 @ \$1.8200, 1 @ \$1.8225, 1 @ \$1.8200, 1 @ \$1.8225, 1 @ \$1.8250, 1 @ \$1.8225, 1 @ \$1.8250; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.8500

THURSDAY, JUNE 3, 2004

CHEESE -- SALES: 22 CARS 40# BLOCKS: 4 @ \$1.7975, 1 @ \$1.8000, 4 @ \$1.7975, 1 @ \$1.8000, 3 @ \$1.7975, 1 @ \$1.8000, 3 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.7700
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, JUNE 4, 2004

CHEESE -- SALES: 2 CARS BARRELS: 1 @ \$1.7675, 1 @ \$1.7700; 52 CARS 40# BLOCKS: 8 @ \$1.7975, 1 @ \$1.8000, 13 @ \$1.7975, 1 @ \$1.8000, 5 @ \$1.7975, 1 @ \$1.8000, 8 @ \$1.7975, 1 @ \$1.8000, 4 @ \$1.7975, 1 @ \$1.8000, 2 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000, 1 @ \$1.7975, 1 @ \$1.8000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.8000
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 18 CARS GRADE AA: 4 @ \$1.8250, 1 @ \$1.8275, 3 @ \$1.8300, 1 @ \$1.8375, 1 @ \$1.8400, 1 @ \$1.8475, 4 @ \$1.8500, 1 @ \$1.8600, 1 @ \$1.8650, 1 @ \$1.8750; BIDS UNFILLED: 19 CARS GRADE AA: 2 @ \$1.8750, 2 @ \$1.8500, 2 @ \$1.8300, 7 @ \$1.8200, 6 @ \$1.8100; OFFERS UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

Despite Friday's increase at the CME, last week's average butter price fell 21.58 cents. In fact, contacts report that Friday's 4.5-cent increase was the cash market "chasing" the futures market which was up during Friday's (5/28) trading. There were comments that speculators were "in the market." Production levels were heavy over the holiday weekend as milk volumes were the heaviest in several years. With slowing Class I & III milk demand, butter/powder plants were nearly full. Reports indicate that butter stocks are building, but still well below year ago levels. Demand for butter is slowing as prices are meeting resistance at the retail level. Some speculators continue to put bulk away, but seem less aggressive in their purchases than they were in early May. Food service orders are improving in resort areas, but the real vacation season begins after schools are out. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

CENTRAL

The market tone is relatively steady following the sharp decline on the CME cash market last week. Butter producers and handlers state that churning activity over the Memorial Day holiday weekend was quite active. Cream volumes were readily available, but not as heavy as some producers anticipated, especially from out of region sources. Stocks of butter continue to lag last year at this time, thus many producers were pleased to generate some additional inventory. Butter demand is fair at best. Retailers continue to indicate that consumers appear to be resisting the higher prices and are shying away from

butter purchases. Food service orders are fair following the holiday weekend. Typically, orders the week following a holiday are light and this year is basically no different. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

CME cash butter prices broke sharply lower last week to close at \$1.8150. The price was down 24 1/2 cents on the week. A total of 59 cars of butter sold on the exchange during the week. Prices have not been below \$2 since the first week of March. On last Friday and continuing on the first trading day of June, prices have firmed back slightly. A total of 33 cars of butter sold on June 2. Churning activity in the region and across the entire country has been heavier for the last few weeks. Milk is a bit heavier than anticipated, the holiday weekend freed up some additional supplies of surplus milk, and cheese manufacturers are in no mood to make \$1.80 cheese with milk still quite expensive. Production seems to be clearing relatively easily and stocks are not building too fast at most operations in the region. In general, contacts seem to still believe that butter supplies will be tight through the summer and into the fall, peak demand season. Retail butter sales are slowing as high prices are impacting consumer interest. Food service orders look pretty good as businesses prepare for the summer vacation season. Current prices for bulk butter range from flat market to 5 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
MAY 29	2.0428	1.9202	0.8450	2.0265	0.3003
	8,493,041	9,812,449	27,306,565	3,063,808	10,446,572

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are sharply lower on natural items, slightly lower on process cheese. The market tone is mixed. Food service orders were good for the holiday weekend and are expected to hold up at fairly good levels as we enter the summer, vacation season. Retail sales were fair to good over the weekend, but still hampered by the high prices. There are some in the market that feel prices at the CME will decline further and many buyers are just ordering for immediate needs. They feel that prices could make additional adjustments lower. Cheese output in the Northeast remains lighter than expected for this time of year. Surplus milk volumes are heavy and some cheese makers did take advantage of discounted milk prices. However, cheese makers are still reluctant to make a "dollar eighty cheese" with twenty-dollar milk.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.8675-2.3825
Cheddar Single Daisies	:	1.8250-2.3000
Cheddar 40# Block	:	1.9400-2.2000
Process 5# Loaf	:	1.9800-2.1850
Process 5# Sliced	:	2.0000-2.2425
Muenster	:	2.0400-2.2425
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is unsettled, though with a weak undertone. Many in the industry are waiting for order results that were slowly coming in after the holiday weekend. The large, 16 cent decline in weekly block average from last week, still seems to have some buyers delaying purchases in case of additional declines. Current cheese offerings remain more than adequate, especially with the large pool of surplus milk available over the long holiday weekend. Packagers and processors were operating on abbreviated schedules this week, reducing bulk cheese needs. Manufacturing schedules were heavy though some multi-plant operations continued to try to minimize cheese, especially mozzarella production, in favor of other varieties or butter/powder. Additional loads of cheddar are being prepared for offering on the Chicago Mercantile Exchange. Though waterlogged in parts of the upper Midwest due to heavy rains, cool temperatures have minimized the environmental stress on cows and plant milk intake declines are limited.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.9500-2.6000
Brick And/Or Muenster 5#	:	2.4550-2.5800
Cheddar 40# Block	:	2.1525-2.4800
Monterey Jack 10#	:	2.2650-2.6500
Blue 5#	:	2.5500-3.2900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.0975-2.4800
Grade A Swiss Cuts 6 - 9#	:	2.3475-2.8300

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER : CHEESE	
05/31/04	42,614	: 146,394
05/01/04	40,348	: 132,971
CHANGE	2,266	: 13,423
% CHANGE	6	: 10

WEST

Process cheese average prices were slightly lower following trading at the cash CME market last week. Natural average prices were sharply lower. Block cheese prices are below \$2 for the first time since mid-March at the Exchange. The price relationship between blocks and barrels is now in a normal spread. Contacts feel that there is some support in the market for the current price levels. Cheese plants continue to be averse to taking in outside milk at current prices to make \$1.80 cheese. This is tending to cut cheese production in the short run. Some buyers are reentering the market as they have been on the sidelines for a number of weeks as the market has softened, but now they need some cheese. Also they see much less risk involved with a \$1.80 base price versus \$2.20 just a few weeks ago. Certainly not all the previous price increases have worked all the way through the marketing channels, but some negative sales results are noted. Plants were running fairly heavy over the holiday weekend whether they wanted to or not.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.9200-2.1800
Cheddar 40# Block	:	1.9225-2.2750
Cheddar 10# Cuts	:	2.1025-2.3225
Monterey Jack 10#	:	2.1125-2.2725
Grade A Swiss Cuts 6 - 9#	:	2.4500-2.8700

FOREIGN

Prices are mostly steady on imported styles, sharply lower on domestic styles. The market tone is little changed, but historic patterns suggest that demand for foreign type cheese (particularly table cheeses) eases as we enter summer. Demand for imported cheeses used in processing has been fairly brisk with the U.S. market well above \$2.00 a pound, but now that domestic cheese prices are falling, interest for these types of imported cheeses is slowing.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.1900	: 2.1625-3.6525*
Gorgonzola	: 3.6900-5.9400	: 2.4900-2.6750*
Parmesan (Italy)	: TFEWR	: 3.5725-3.6825*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 2.1725-2.3975*
Romano (Cows Milk)	: -0-	: 3.3600-5.5325*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7500-3.8900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.4500	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	162	0	215	0	188
SOUTHEAST STATES	0	0	0	0	0	0

Milk production is declining at significant rates in Florida and other Gulf Coast states. As is normal for this time of year, the hot weather in these areas is having a more pronounced effect on the cows and the milk flow is ebbing. A little farther north, the milk production is easing lower at a more moderate rate. However, this past weekend's storms did cause loss of power, which did disrupt farm pick-up schedules. In the Northeast, milk production is at its peak and holding as mild weather prevails. Fluid milk supplies are more than ample during the holiday weekend. Bottled milk sales remain sluggish due to retail prices and more schools closing for the summer. Florida's milk needs continue to ease, but the lower production levels offset the slower in-state demand and handlers shipped out about 25% fewer loads than they did last week. Also, they went into the weekend with little or no milk in their tanks, which allowed them to better manage this week's volumes. There were scattered reports of plant problems during the weekend, but all-in-all surplus milk volumes cleared satisfactorily. Some operations were swamped with milk while others, though full, had some capacity if it were needed. Manufacturing plant contacts feel that they will have plenty of milk through most of June as schools will be closing in the Northeast in a week or two. The condensed skim market is steady and prices steady to higher for Class II, lower for Class III. Despite the drop in Class III pricing, at current prices, few spot sales will be made. The fluid cream market is ending the holiday weekend better than some had thought. Spot prices for Class II cream ranged from light to moderate, but the sharply lower prices did spark interest from some buyers. For the first time since the last week of February, the CME butter average dropped below \$2.00. Supplies were long, but not all buyers/churns were swamped with cream. Plenty of preplanning made things go smoothly. Some plants did not churn at all while others ran "full out;" some processed only their own cream without taking outside loads and others took in many extra loads. Fewer than expected loads cleared to Midwestern plants. Demand was improved, but typical for a post-holiday weekend. Memorial Day marks the beginning of summer and the Eastern Shore is "open" for the season. Soft serve mix sales have increased, particularly along the Middle Atlantic Coast. Production of hard ice cream is also back into normal weekly patterns after the long weekend. It may be too soon to say for sure, but the lower cream costs are attracting more interest from hard ice cream producers. The demand for bottled cream is picking up seasonally when and where strawberries are available. Cream cheese output is about steady. The increased supply and lower cream prices may prompt some producers to step up output.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.2509-2.5461
DELIVERED EQUIVALENT ATLANTA	-	2.2694-2.5092 M 2.3247-2.4354
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.3247-2.4354

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9200- .9500
NORTHEAST- CLASS III - SPOT PRICES	- 1.2800-1.3400

M I D W E S T

Milk supplies remain very heavy with most plants operated on extended schedules over the long holiday weekend. Some disruptions in plant schedules occurred, but overall, the extra fluid supplies were handled with a minimum of difficulty due to prior planning. Milk supplies remain heavy after the weekend. Some buyers are more interested in acquiring supplies in June, due to a lower Class III price, while for others the interest is unchanged. Spot milk supplies are still being discounted, but generally not to the levels of the holiday week and weekend. Reported discounts in June are more in the -\$1.50 - -\$3.00 under class area on a limited test. Class I interest is steady at best. Occasional retail features seem to be more than offset by the closing of schools, both just

for the holiday and as additional systems shutter for the summer. Cream demand was stronger following the holiday weekend as ice cream manufacturers take advantage of lower cream prices. Cream prices were lower over the holiday weekend when most ice cream makers were closed. Class II demand was fair to good. Current milk intakes in the upper tier of states are mostly unchanged to higher seasonally. Only a few handlers feel that they may have peaked for the year. Many areas set new monthly records for rainfall during May with parts of Iowa through Wisconsin and Michigan recording cumulatives well over 10 inches. Wet fields continue to plague farmers but temperatures are cool and close to ideal for cow comfort. Somatic cell counts are also generally higher due to the wet conditions. Mosquito numbers are increasing rapidly. For grazers, the rapid grass growth may be more than cows can keep up with. Hay/haylage harvest delays due to wet fields are common. Flooded fields and streams also remain a problem in parts of Illinois and Minnesota.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MAY 27 - JUNE 2	PREVIOUS YEAR
SLAUGHTER COWS	\$ 51.50- 57.50	\$ 46.00- 49.50
REPLACEMENT HEIFER CALVES	\$350.00-600.00	\$330.00-430.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	MAY 27 - JUNE 2	PREVIOUS YEAR
SLAUGHTER COWS	\$ 53.00- 59.50	\$ 42.00- 53.00

W E S T

The May 4a price (butter/powder) in CALIFORNIA is \$13.95, down \$0.37 from April 2004 but \$4.41 higher than last year. The May 4b price (cheese) is \$19.34, down \$0.54 from April but \$10.06 higher than last year. Milk output is moving higher seasonally across most of the major milk producing regions of CALIFORNIA. Volumes are pushing towards what is expected to be an earlier than normal peak. The holiday weekend provided a challenge to find processing homes for the available milk supplies. Many cheese producers were reluctant to take surplus milk with the price relationship between milk and cheese. Milk volumes ended up in butter/powder operations and the effects were being felt yet at mid week. Hot weather is moving into the South and Central Valley this week and many processors are hoping the weather will slow the milk flow. Class 1 demand is slow to develop with more indications that sales are slow at retail, attributed to higher prices. New Class 2 and 3 prices are in effect and prices for ice cream, sour cream, cottage cheese, and other class products are being increased. Milk production in ARIZONA is trending seasonally lower and the effects of 100 degree plus temperatures are beginning to impact milk cows. Despite the best heat abatement measures, milk production is still affected by hot weather. The forecast is for 110 degree highs and for heat advisories to be in effect. Plants ran well over the weekend and processed milk from nearby states. The CREAM market is unsettled as June begins. Higher prices for butter at the CME were noted and closed at \$1.8250 at midweek. Demand for cream was sporadic to outside sources over the holiday weekend and churning activity in the West was heavy. Ice cream production is building at some locations ahead of expected demand increases. Multiples range from 108 to 126, FOB, and vary depending on class usage and basing point. Limited offerings of new crop hay are available in the PACIFIC NORTHWEST. This new feed is stimulating some additional milk output in those herds able to acquire some supplies. Prices are firm compared to last year and average \$140-145 delivered on a very limited test. Much of the first cutting of hay in the region received some rain damage. Some of this hay is still labeled as dairy hay, but much of it has dropped down to feeder quality. Exporters are not interested in this hay and are waiting for second cutting to meet their needs. This will put further pressure on the market. Some growers that harvested early are just starting on the second cutting. Finances for dairies in the region are looking much better and the higher feed costs are still manageable with these higher milk prices in the short run. Cream supplies are more available and some cheese plants are not interested in additional milk supplies. Some much needed rain fell over the past weekend in UTAH and IDAHO. Crops are looking a little better. Hay growers did not complain about the shower activity. Milk output is nearing the seasonal peak. It will probably stay at this level until the first hot spell of the season. Temperatures will be in the low 90's in parts of the region at the end of the week. New crop hay should be available within two weeks and that may spur some additional milk output.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to higher on a mostly steady market. Trade activity is mixed as buyers are presented with offers from both manufacturers and resellers. Resale offers are generally aged CCC supplies at prices within and below the range. Central buyers that have contracts with Western suppliers are being offered additional loads. Central region offerings of current production are slow to move due in part to continued buyer interest in CCC sellback invitations. Heavier milk intakes were noted over the holiday weekend, encouraging low heat production. High heat production and supplies are limited for the good interest.

EAST: Eastern prices are unchanged to higher as the NDM market's major producer/supplier saw their base price increase more than two cents from last month. Production levels are heavy as most Eastern drying facilities did have a lot of milk to process over the holiday weekend. For the most part, the extra milk was handled easily, but one plant did experience some dryer problems and milk had to be diverted to other operations. The increased output does give producers more powder in inventory, but most is already committed to buyers. Demand is generally good for both current production and the government NDM that continues to be in the market. Few spot sales are reported at the producer level with most in the resale side of the market. CCC has issued new invitations for the sale of CCC-owned NDM with bids due by June 7. Contacts report that resales of this CCC-owned powder do vary with the age of the powder. They comment that it is harder to find and purchase powder that is less the 18-24 months old.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8575 - .9800 MOSTLY: .8975 - .9100
 HIGHHEAT: .8900 - 1.2000

NONFAT DRY MILK - WEST

Low/medium heat NDM prices moved higher on the bottom end of the range and mostly series and indicate higher prices being asked and paid in the West. There is some downward pressure on the top end of the mostly range as buyers are not as aggressive in securing powder. Additional NDM was made over the holiday weekend and plants in the region are full well into this week to handle the milk supplies. Demand has been light the last few weeks as buyers assess needs. Cheese producers have been reluctant to take NDM and condensed skim with unsettled cheese prices and inventories. NDM stocks are heavier as production increased, but are not a concern for producers. On May 28, the CCC announced an invitation to sellback approximately 4.0 million pounds of NDM for unrestricted use. Offers are due June 7. High heat prices are unchanged after a big increase last week. The impact of higher prices has not impacted sales. Buyers are taking normal orders and finding product more readily available than in mid-May. Inventories are limited and held for contract needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8275 - .8900 MOSTLY: .8400 - .8600
 HIGHHEAT: .8575 - 1.1200

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
May 28	\$.8287	18,381,144	0
May 21	\$.8272	15,376,258	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices remain unchanged and nominal on a mostly steady market. Buttermilk production is increasing as more milk and cream flows into churns. Suppliers that have been dormant from the spot market for nearly a year are indicating that spot supplies will soon be available. Operations that have heavier production report that supplies are not that plentiful as spot loads are readily clearing into contracts previously shorted. Traders are reporting offerings at a discount for the light to fair interest. Condensed buttermilk movement into ice cream is steady to higher.

F.O.B. CENTRAL: 1.0775 - 1.2700

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. The Northeastern price range still nominal and includes resale prices. Production levels were up during the holiday weekend when churning was heavy. However, with all the skim to be dried, most of the buttermilk cleared in liquid form. Producer stocks remain light and easily managed. Demand is fair to mostly good, but price resistance is common. Many LTL sales are noted.

F.O.B. NORTHEAST: 1.0000 - 1.1900
 DELVDSOUTHEAST: .9800 - 1.2000

DRY BUTTERMILK - WEST

Western dry buttermilk prices moved slightly higher this week and the general undertone remains firm. Drying schedules were often higher over the holiday weekend as more butter was churned and condensed orders fell. The extra powder is welcomed to help producers catch up with past due orders. Otherwise, spot interest is limited. Stocks are light to moderate and mainly committed.

F.O.B. WEST: 1.0000 - 1.0500 MOSTLY: 1.0200 - 1.0500

DRY WHOLE MILK - NATIONAL

Prices are unchanged to lower within the range and remain nominal. The market tone is unchanged. The lower prices are often a result of producers who tie their dry whole milk price to the CME butter price. Production levels were light over the holiday weekend when more milk was available to process and output remains light into this week. Plant stocks are light and demand is little changed.

F.O.B. PRODUCING PLANT: 1.4150 - 1.5800

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2003 - YTD
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	68,201	MT (150,355,925 LBS)
CHEESE	--	3,030	MT (66,799,938 LBS)

Allocations for the DEIP year beginning July 1, 2003, were announced on August 15 and total 68,201 MT of NDM, 3,030 MT of cheese, and 21,097 MT of butterfat. (These totals are unchanged from last year's program.) This program-year's allocations are again being announced in stages. Stage one allocations are:
 NDM -- 22,733 MT, butterfat -- 7,032 MT, and cheese -- 1,010 MT.
 Stage two allocations are: NDM -- 45,468 MT and cheese -- 2,020 MT. These fill the program-year allocations for these products. The allocation for butterfat announced in stage one remains in place and leaves a balance for future, possible allocations.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are lower on a steady to weak market. Resellers are offering whey at a discount and meeting buyer resistance. As a result, movement of whey from manufacturers to resellers and into some end-users is slowing. Early slaughter of veal calves due to federal regulation on hormone implants is encouraging some milk replacer operations to resell their aged whey stocks at a discount to the current market. Reduced calf stocks are expected to reduce feed buyer interest in whey products in the short-term and increase interest in the long-term as calves will need to be fed out longer without the use of hormone implants. Edible interest is mostly contractual. Export movement is lackluster due to price resistance. Production is steady to somewhat higher due to excess milk available over the holiday weekend. Supplies of condensed whey are reportedly available for the light interest.

F.O.B. CENTRAL: .3000 - .3200 MOSTLY: .3000 - .3100

DRY WHEY - NORTHEAST AND SOUTHEAST

The market tone is steady, but with reports of slight weakness. Prices are mostly steady, particularly at the plant level. However, resale prices are often steady to occasionally lower where premiums have been reduced. Eastern producers continue to report that they are sold out and are trying to catch up with contract shipping schedules. Most Eastern cheese makers are not taking too much milk since milk prices are still too high to be making \$1.80 cheese. Traders are still moving loads through the resale channels, but some are holding stocks for future needs. Despite the current glut of milk, many contacts feel that milk supplies, and cheese output, will drop later this summer and they need some or all of their current inventories to service their accounts. Spot demand is slow to fair as buyers wait to see if prices, in the short term, will ease lower. There are continued reports of some end users offering loads in the resale market because they have too much for current needs.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3150 - .3400
DELVD SOUTHEAST: .3250 - .3550

DRY WHEY - WEST

Western whey prices range from steady to fractionally lower. More producers are indicating that stocks are becoming more of a concern. Some are looking at lower bids and wondering if that price will look pretty good in a few weeks. Other producers are still in good balance and they are not considering changing price at this time. Output ranges from about steady to slightly heavier. More milk has been available for the past few weeks, but cheese plants have been hesitant to accept any additional supplies with the current price relationship between milk and cheese.

NONHYGROSCOPIC: .2400 - .3100 MOSTLY: .2700 - .2800

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to lower and nominal on a steady to weak market. Trade of milk replacer whey is light. Offerings within the range are often met with resistance due in part to availability of competitively priced substitutes such as permeate and lactose. Veal and early weaned pig markets are trending weak.

F.O.B. CENTRAL:
MILK REPLACER: .2500 - .2900

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are higher on a firm market. Supplies continue to be reported as tight and offering prices are higher. However, with continued offerings of CCC sell back NDM, the momentum for higher prices on WPC 34% is beginning to wane. Some traders are expecting the market to settle in the next few weeks as recently occurred in the whey market. Resellers are offering stocks of WPC 34% at the average. Demand is best into edible domestic and export markets. Feed interest is reduced as buyers vie for CCC stocks or limited high protein imports. Supplies of off grade WPC are light for the good interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .6450 - .6750 MOSTLY: .6450 - .6650

LACTOSE - CENTRAL AND WEST

Lactose prices continue unchanged on a steady market. Production is steady to higher in response to higher milk intakes at some cheese plants over the holiday weekend. Stocks are reported as in balance to somewhat long. Some end-users are delaying their shipments, encouraging heavier producer stocks at some locations. Negotiations for third quarter are slow to commence with many manufacturers indicating that prices are expected to remain unchanged. Spot sales are light. Interest is best on the higher mesh sizes. Inquiries are noted predominantly from the Asian market.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2200 - .2700 MOSTLY: .2300 - .2450

CASEIN - NATIONAL

Casein markets and prices remain firm. Stocks are in close balance and often less available than domestic buyers desire. Suppliers state that they should be able to meet contracted volumes although shipments or deliveries might need to be altered from original plans. Under invitation #018, the Kansas City Commodity office announced the sale of 308,635 pounds of government owned NDM for the production of casein/caseinates at \$.38 per pound. Since June 2002, the government has sold 13,816,474 pounds of powder for this purpose. Prices have ranged from \$.22 per pound as recent as March, to the current \$.38 per pound level. Most potential producers were very surprised at the current level of the awarded price and are questioning how can potential casein producers financially deal with powder prices at this level. Many have indicated that they have crunched numbers and expended much capital to develop and place equipment within their operations to produce casein/caseinates. Paying nearly double from original purchase prices for NDM is basically halting any further production for many. Most casein/caseinate producers do realize that the CCC is selling powder back to the trade for other purposes at higher prices, but they desire that the CCC would commit a specific volume for this program as they have for other programs and reconsider prices in line with previous awards. Potential producers state that USDA proposed this program to help dispose of the mountain of powder in government hands. They state that the industry acknowledged this opportunity and were gradually fine tuning their operations to make this work and now the government has basically closed the door for them by making the powder cost prohibitive. The CCC issued invitation #019 to buy from CCC approximately 3,000,000 pounds of government owned NDM for the production of casein/caseinate. Bids are due on Tuesday June 8.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.3500 - 2.6000
ACID: 2.3500 - 2.6500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. However, more producers expect to announce price increases in the near future, if they have not already done so. Production levels are heavier as more surplus milk was available throughout the country during the Memorial Day weekend. However, for those who buy their milk on the open market, price discounts were not as deep as seen in years past. Plant stocks are light for this time of year, but building at some plants. The high Class IV milk price is a deterrent to build stocks, but producers do have to have some on hand for future needs. Demand is steady. The Kansas City Commodity office announced the award of indefinite quantity contracts for evaporated milk under EVD-1, invitation 800 for delivery July - September 2004. The award is for 4,443,120 pounds at prices ranging \$0.4479-\$0.5223 per pound.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

MONTHLY SUMMARY AND AVERAGES FOR MAY 2004 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	::REPORT NUMBER 18 ::	REPORT NUMBER 19 ::	REPORT NUMBER 20 ::	REPORT NUMBER 21 ::	::	2004	2003
	::-----::	-----::	-----::	-----::	-----::	Average	Average
	:: MAY 03 - 07 ::	MAY 10 - 14 ::	MAY 17 - 21 ::	MAY 24 - 28 ::	::	or Total	or Total
CHEESE							
WISCONSIN (WSP, Delivered, LTL)							
-- Process American 5# Loaf	:: 2.3400 - 2.5600 ::	2.2525 - 2.5600 ::	2.0900 - 2.6000 ::	1.9650 - 2.6000 ::	::	2.3709	1.3781
-- Brick And/Or Muenster 5#	:: 2.5400 - 2.8550 ::	2.5400 - 2.8050 ::	2.5800 - 2.7150 ::	2.5800 - 2.6150 ::	::	2.6538	1.6389
-- Cheddar 40# Block	:: 2.2650 - 2.5525 ::	2.2650 - 2.5025 ::	2.2650 - 2.4800 ::	2.2650 - 2.4800 ::	::	2.3844	1.7775
-- Monterey Jack 10#	:: 2.2650 - 2.7950 ::	2.2650 - 2.7450 ::	2.2650 - 2.6550 ::	2.2650 - 2.6500 ::	::	2.4881	1.9075
-- Blue 5#	:: 2.9500 - 3.2500 ::	2.9000 - 3.2500 ::	2.8100 - 3.2900 ::	2.7100 - 3.2900 ::	::	3.0563	2.0411
-- Mozzarella 5 - 6#	:: 2.4400 - 2.4975 ::	2.3650 - 2.4475 ::	2.3575 - 2.4800 ::	2.2575 - 2.4800 ::	::	2.4156	1.8223
-- Grade A Swiss Cuts 6 - 9#	:: 2.5075 - 2.8300 ::	2.5075 - 2.8300 ::	2.5075 - 2.8300 ::	2.5075 - 2.8300 ::	::	2.6688	2.3175
NORTHEAST (WSP, Delivered, LTL)							
-- Cheddar 10# Prints	:: 2.2575 - 2.7725 ::	2.2175 - 2.7325 ::	2.1275 - 2.6425 ::	2.0275 - 2.5425 ::	::	2.4150	1.4496
-- Cheddar Single Daisies	:: 2.2150 - 2.6900 ::	2.1750 - 2.6500 ::	2.0850 - 2.5600 ::	1.9850 - 2.4600 ::	::	2.3525	1.3921
-- Cheddar 40# Block	:: 2.3275 - 2.5900 ::	2.2900 - 2.5500 ::	2.2000 - 2.4600 ::	2.1000 - 2.3600 ::	::	2.3597	1.4026
-- Process 5# Loaf	:: 2.3575 - 2.5600 ::	2.2825 - 2.4850 ::	2.1200 - 2.3250 ::	1.9950 - 2.2000 ::	::	2.2906	1.4262
-- Process 5# Sliced	:: 2.3775 - 2.6175 ::	2.3025 - 2.5425 ::	2.1400 - 2.3825 ::	2.0150 - 2.2575 ::	::	2.3294	1.4699
-- Muenster	:: 2.4300 - 2.6325 ::	2.3900 - 2.5925 ::	2.3000 - 2.5025 ::	2.2000 - 2.4025 ::	::	2.4313	1.4671
-- Grade A Swiss Cuts 10 - 14#	:: 2.4500 - 2.6500 ::	2.4500 - 2.6500 ::	2.4500 - 2.6500 ::	2.4500 - 2.6500 ::	::	2.5500	2.4500
WEST COAST (WSP, Delivered, LTL)							
-- Process 5# Loaf	:: 2.2950 - 2.5550 ::	2.2200 - 2.4800 ::	2.0600 - 2.3200 ::	1.9350 - 2.1950 ::	::	2.2575	1.3960
-- Cheddar 40# Block	:: 2.3125 - 2.7025 ::	2.2725 - 2.6625 ::	2.1825 - 2.5350 ::	2.0825 - 2.4350 ::	::	2.3981	1.3424
-- Cheddar 10# Cuts	:: 2.4925 - 2.7125 ::	2.4525 - 2.6725 ::	2.3625 - 2.5825 ::	2.2625 - 2.4825 ::	::	2.5025	1.5624
-- Monterey Jack 10#	:: 2.5025 - 2.6625 ::	2.4625 - 2.6225 ::	2.3725 - 2.5325 ::	2.2725 - 2.4325 ::	::	2.4825	1.5424
-- Grade A Swiss Cuts 6 - 9#	:: 2.4500 - 2.8700 ::	2.4500 - 2.8700 ::	2.4500 - 2.8700 ::	2.4500 - 2.8700 ::	::	2.6600	2.2850
FLUID PRODUCTS							
SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)							
-- Northeast - f.o.b.	:: 2.6220 - 2.8778 ::	2.6466 - 2.9048 ::	2.6094 - 2.8181 ::	2.5347 - 2.8542 ::	::	2.7335	1.4028
-- Atlanta - dlvd. equiv.	:: 2.6433 - 2.8991 ::	2.6036 - 2.9263 ::	2.5468 - 2.8390 ::	2.5348 - 2.7615 ::	::	2.7193	1.4044
-- Upper Midwest - f.o.b.	:: 2.8778 - 2.9844 ::	2.7327 - 2.9048 ::	2.6094 - 2.8808 ::	2.4936 - 2.7821 ::	::	2.7832	1.3971
PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b.							
-- Class II	:: 0.8700 - 0.9300 ::	0.8700 - 0.9300 ::	0.9100 - 0.9400 ::	0.9100 - 0.9400 ::	::	0.9125	0.9102
-- Class III	:: 1.2400 - 1.3000 ::	1.4800 - 1.5400 ::	1.4800 - 1.5400 ::	1.4800 - 1.5400 ::	::	1.4500	0.7719
NATIONAL EVAPORATED MILK (\$ per Case)							
(Case - 48 - 12 fluid oz cans)							
-- Delivered Major U.S. Cities	::22.0000 -30.0000 ::	22.0000 -30.0000 ::	22.0000 -30.0000 ::	22.0000 -30.0000 ::	::	26.0000	24.0000

MONTHLY SUMMARY AND AVERAGES FOR MAY 2004 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	::REPORT NUMBER 18 ::	REPORT NUMBER 19 ::	REPORT NUMBER 20 ::	REPORT NUMBER 21 ::	::	2004	2003
	::-----::	-----::	-----::	-----::	::-----::	Average	Average
	:: MAY 03 - 07 ::	MAY 10 - 14 ::	MAY 17 - 21 ::	MAY 24 - 28 ::	::	or Total	or Total
DRY PRODUCTS							
NONFAT DRY MILK							
-- Central And East (f.o.b.)							
-- Low/Medium Heat	:: 0.8300 - 0.9800 ::	0.8300 - 0.9800 ::	0.8300 - 0.9800 ::	0.8300 - 0.9800 ::		:: 0.9050	0.8375
-- Mostly	:: 0.8575 - 0.8850 ::	0.8700 - 0.9100 ::	0.8700 - 0.9100 ::	0.8700 - 0.9100 ::		:: 0.8853	0.8225
-- High Heat	:: 0.8625 - 1.2000 ::	0.8625 - 1.2000 ::	0.8625 - 1.2000 ::	0.8625 - 1.2000 ::		:: 1.0313	0.8875
-- West (f.o.b.)							
-- Low/Medium Heat	:: 0.8150 - 0.9500 ::	0.8200 - 0.9200 ::	0.8200 - 0.9100 ::	0.8200 - 0.8900 ::		:: 0.8681	0.8388
-- Mostly	:: 0.8200 - 0.8800 ::	0.8200 - 0.8900 ::	0.8200 - 0.8900 ::	0.8200 - 0.8700 ::		:: 0.8513	0.8013
-- High Heat	:: 0.8425 - 0.8900 ::	0.8500 - 0.9100 ::	0.8500 - 0.9100 ::	0.8575 - 1.1200 ::		:: 0.9038	0.8307
WHEY POWDER (Nonhygroscopic)							
-- Central (f.o.b.)	:: 0.3050 - 0.3250 ::	0.3050 - 0.3250 ::	0.3050 - 0.3250 ::	0.3050 - 0.3250 ::		:: 0.3150	0.1407
-- Mostly	:: 0.3050 - 0.3150 ::	0.3050 - 0.3150 ::	0.3050 - 0.3150 ::	0.3050 - 0.3150 ::		:: 0.3100	0.1420
-- West (f.o.b.)	:: 0.2300 - 0.3000 ::	0.2400 - 0.3100 ::	0.2500 - 0.3100 ::	0.2450 - 0.3100 ::		:: 0.2744	0.1418
-- Mostly	:: 0.2500 - 0.2750 ::	0.2500 - 0.2800 ::	0.2600 - 0.2800 ::	0.2700 - 0.2800 ::		:: 0.2681	0.1355
-- Northeast (f.o.b.)	:: 0.3150 - 0.3400 ::	0.3150 - 0.3400 ::	0.3150 - 0.3400 ::	0.3150 - 0.3400 ::		:: 0.3275	0.1579
-- Southeast (Delvd)	:: 0.3250 - 0.3600 ::	0.3250 - 0.3600 ::	0.3250 - 0.3600 ::	0.3250 - 0.3600 ::		:: 0.3425	0.1739
WHEY PROTEIN CONCENTRATE							
-- Central And West (f.o.b.)							
-- Extra Grade 34% Protein	:: 0.5975 - 0.6450 ::	0.6275 - 0.6600 ::	0.6375 - 0.6700 ::	0.6425 - 0.6750 ::		:: 0.6444	0.4521
-- Mostly	:: 0.6175 - 0.6375 ::	0.6275 - 0.6475 ::	0.6375 - 0.6475 ::	0.6425 - 0.6475 ::		:: 0.6381	0.4530
ANIMAL FEED - WHEY							
-- Central (f.o.b.)							
-- Milk Replacer	:: 0.2700 - 0.3000 ::	0.2700 - 0.3000 ::	0.2700 - 0.3000 ::	0.2500 - 0.3000 ::		:: 0.2825	0.1289
BUTTERMILK (Min. 30% protein)							
-- Central (f.o.b.)	:: 1.0775 - 1.2700 ::	1.0775 - 1.2700 ::	1.0775 - 1.2700 ::	1.0775 - 1.2700 ::		:: 1.1738	0.6869
-- West (f.o.b.)	:: 0.9600 - 1.0100 ::	0.9800 - 1.0500 ::	0.9850 - 1.0500 ::	0.9900 - 1.0500 ::		:: 1.0094	0.6943
-- Mostly	:: 0.9700 - 1.0000 ::	0.9850 - 1.0200 ::	1.0000 - 1.0400 ::	1.0200 - 1.0400 ::		:: 1.0094	0.6948
-- Northeast (f.o.b.)	:: 1.0000 - 1.1900 ::	1.0000 - 1.1900 ::	1.0000 - 1.1900 ::	1.0000 - 1.1900 ::		:: 1.0950	0.7011
-- Southeast (Delvd)	:: 0.9800 - 1.2000 ::	0.9800 - 1.2000 ::	0.9800 - 1.2000 ::	0.9800 - 1.2000 ::		:: 1.0900	0.7275
WHOLE MILK POWDER							
-- National (f.o.b.)	:: 1.4150 - 1.5900 ::	1.4150 - 1.5800 ::	1.4150 - 1.5800 ::	1.4150 - 1.5800 ::		:: 1.4988	1.0904
LACTOSE							
-- Central And West (f.o.b.)	:: 0.2200 - 0.2700 ::	0.2200 - 0.2700 ::	0.2200 - 0.2700 ::	0.2200 - 0.2700 ::		:: 0.2450	0.1975
-- Mostly	:: 0.2300 - 0.2450 ::	0.2300 - 0.2450 ::	0.2300 - 0.2450 ::	0.2300 - 0.2450 ::		:: 0.2375	0.1786
CASEIN - Edible - National (f.o.b.)							
-- Nonrestricted - Rennet	:: 2.3500 - 2.5500 ::	2.3500 - 2.5500 ::	2.3500 - 2.5500 ::	2.3500 - 2.5500 ::		:: 2.4500	2.0500
-- Nonrestricted - Acid	:: 2.3500 - 2.4800 ::	2.3500 - 2.5500 ::	2.3500 - 2.5500 ::	2.3500 - 2.5500 ::		:: 2.4413	2.0000

1/ Prices for all products are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing

CHICAGO MERCANTILE EXCHANGE AVERAGES FOR MAY 2004

COMMODITY	::REPORT NUMBER 18::		REPORT NUMBER 19::		REPORT NUMBER 20::		REPORT NUMBER 21::		:: 2004 * :		2003 *
	::-----::		-----::		-----::		-----::		:: Monthly :		Monthly
	:: MAY 3 - 7		:: MAY 10 - 14		:: MAY 17 - 21		:: MAY 24 - 28		:: Average :		Average

BUTTER*											
-- GRADE AA											
--Monday	::	2.1325	::	2.1700	::	2.0450	::	1.9500	::	:	:
--Tuesday	::		::		::		::		::	:	:
--Wednesday	::	2.1525	::	2.0725	::	2.0775	::	1.7700	::	:	:
--Thursday	::		::		::		::		::	:	:
--Friday	::	2.1700	::	2.0200	::	2.0600	::	1.8150	::	2.0363	1.0919
--Weekly Average**	::	2.1517	::	2.0875	::	2.0608	::	1.8450	::	:	:
CHEESE*											
-- BARRELS											
--Monday	::	2.1400	::	2.0350	::	1.8300	::	1.7700	::	:	:
--Tuesday	::	2.1150	::	1.9300	::	1.8300	::	1.7700	::	:	:
--Wednesday	::	2.0350	::	1.9300	::	1.8300	::	1.7700	::	:	:
--Thursday	::	2.0350	::	1.8300	::	1.8300	::	1.7700	::	:	:
--Friday	::	2.0350	::	1.8300	::	1.6100	::	1.7700	::	1.8848	1.1161
--Weekly Average**	::	2.0720	::	1.9110	::	1.7860	::	1.7700	::	:	:
-- 40# BLOCKS											
--Monday	::	2.1500	::	2.1500	::	2.0000	::	1.8000	::	:	:
--Tuesday	::	2.1500	::	2.1500	::	2.0000	::	1.8000	::	:	:
--Wednesday	::	2.1500	::	2.0000	::	2.0000	::	1.8000	::	:	:
--Thursday	::	2.1500	::	2.0000	::	2.0000	::	1.8000	::	:	:
--Friday	::	2.1500	::	2.0000	::	1.8000	::	1.8000	::	1.9925	1.1421
--Weekly Average**	::	2.1500	::	2.0600	::	1.9600	::	1.8000	::	:	:
NONFAT DRY MILK*											
-- EXTRA GRADE											
--Monday	::	0.9400	::	0.9400	::	0.9200	::	0.9200	::	:	:
--Tuesday	::	0.9400	::	0.9400	::	0.9200	::	0.9200	::	:	:
--Wednesday	::	0.9400	::	0.9400	::	0.9200	::	0.9200	::	:	:
--Thursday	::	0.9400	::	0.9200	::	0.9200	::	0.9200	::	:	:
--Friday	::	0.9400	::	0.9200	::	0.9200	::	0.9200	::	0.9280	0.8400
--Weekly Average**	::	0.9400	::	0.9320	::	0.9200	::	0.9200	::	:	:
-- GRADE A											
--Monday	::	0.9400	::	0.9400	::	0.9200	::	0.9200	::	:	:
--Tuesday	::	0.9400	::	0.9400	::	0.9200	::	0.9200	::	:	:
--Wednesday	::	0.9400	::	0.9400	::	0.9200	::	0.9200	::	:	:
--Thursday	::	0.9400	::	0.9200	::	0.9200	::	0.9200	::	:	:
--Friday	::	0.9400	::	0.9200	::	0.9200	::	0.9200	::	0.9280	0.8400
--Weekly Average**	::	0.9400	::	0.9320	::	0.9200	::	0.9200	::	:	:

* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

** Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported

M A Y 2004 DEIP BID ACCEPTANCES

ACCEPTANCE DATE	DESTINATION	QUANTITY (MT)	DEL. PERIOD	BONUS/MT
JULY 2003 – APRIL 2004	NONFAT DRY MILK	68,201		
MAY 1 - 31, 2004		<u>0</u>		
JULY 2003 – MAY 2004		<u>68,201</u>		
JULY 2003 – APRIL 2004	CHEESE	3,030		
MAY 1 - 31, 2004		<u>0</u>		
JULY 2003 – MAY 2004		<u>3,030</u>		
C-CHEDDAR, G-GOUDA, M-MOZZARELLA, P-PROCESSED AMERICAN, CC-CREAM CHEESE, MJ-MONTEREY JACK, V-VARIETAL				
JULY 2003 – APRIL 2004	BUTTERFAT	0		
AMY 1 - 31, 2004		<u>0</u>		
JULY 2003 – MAY 2004		<u>0</u>		
A-ANHYDROUS MILKFAT, B-BUTTER				
TOTAL MT				PROGRAM TO DATE
TOTAL BONUS VALUE				71,231
				\$5,433,241

Exporters of U.S. milk powder, butterfat and cheddar cheese are aided under the Dairy Export Incentive Program (DEIP), created by Food Security Act of 1985 and extended by the Food, Agriculture, Conservation, and Trade Act of 1990. Export sales are facilitated through payment of bonuses by the U.S. Department of Agriculture's Commodity Credit Corporation. Sales of dairy products will be made through normal commercial channels at competitive world prices. For further information call L.T. McElvain (202) 720-6211. Conversion: 1 metric ton (MT) = 2,204.6 pounds. **SOURCE: FOREIGN AGRICULTURAL SERVICE**

Allocations for the DEIP year beginning July 1, 2003: Nonfat Dry Milk – 68,201 MT; Cheese – 3,030 MT; Butterfat – 21,097 MT

Allocations are being announced in stages. Stage one is for 22,733 MT of Nonfat Dry Milk, 7,032 MT of Butter and 1,010 MT of Cheese.

Stage 2 was for 45,468 MT of Nonfat Dry Milk and 2,020 MT of Cheese.

MAY AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in May 2004 advanced 1 point to 134. Compared with May 2003, the index was up 7 points (5.5 percent). The index of prices received by farmers for dairy products advanced 16 points during the month of May 2004 to 155. Compared with May 2003, the index was up 71 points (84.5 percent).

Prices received by farmers in May with changes from April were: for All Milk, \$20.30 per hundredweight (cwt.), up \$2.10; Fluid Grade Milk, \$20.30 per cwt., up \$2.10; and for Manufacturing Grade Milk, \$20.70 per cwt., up \$1.30.

SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., MAY 2004 WITH COMPARISONS

STATE	All-milk price 1/ 3/				Milk cows 5/		Cows 6/		All hay baled 7/	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	APRIL		MAY		MAY		MAY		MAY	
	2004 2/	2003 2/	2004 4/	2003 2/	2004	2003	2004 7/	2003 8/	2004	2003
CA	17.53	9.97	19.00	9.95	PRICES PUBLISHED JANUARY, APRIL, JULY AND OCTOBER		48.00	42.00	121.00	98.00
ID	18.80	10.10	19.50	10.20			51.10	42.10	99.00	87.00
MI	18.00	11.10	20.60	11.30			53.00	42.50	99.00	99.00
MN	20.20	11.00	21.70	11.00			56.00	47.20	67.00	72.00
NM	16.60	10.70	19.40	10.50			52.80	41.00	138.00	144.00
NY	17.50	11.80	20.00	11.80			---	---	112.00	110.00
PA	18.00	12.50	20.80	12.50			52.70	42.20	137.00	140.00
TX	17.70	11.50	20.00	11.40			50.50	38.70	77.00	90.00
WA	17.50	11.00	19.50	11.00			---	---	89.00	117.00
WI	20.40	11.10	21.50	11.20			55.20	43.60	78.00	74.00
U.S.	18.20	11.00	20.30	11.00			52.40	42.40	101.00	99.20

1/ Prices are shown at reported butterfat test. 2/ Partially revised. 3/ Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. 4/ Preliminary. 5/ Animals sold for dairy herd replacement only. 6/ Beef cows and cull dairy cows sold for slaughter. 7/ Mid-month price. 8/ Entire month.

MILK AND OTHER GENERAL PRICE MEASURES, U.S., MAY 2004 WITH COMPARISON

ITEM	MAY 2003	APRIL 2004 1/	MAY 2004 2/
PRICES RECEIVED BY FARMERS , dol. per cwt., at reported butterfat test:			
All milk	11.00	18.20	20.30
Fluid grade milk	11.00	18.20	20.30
Manufacturing grade milk	10.20	19.40	20.70
INDEX NUMBERS (1990-92=100):			
Prices received by farmers for all farm products	105	125	132
Prices received by farmers for dairy products	84	139	155
Prices paid by farmers for commodities and services, interest taxes, and wage rates	127	133	134
Prices paid by farmers for production items	123	131	132
Prices paid by farmers for feed	116	131	133
MILK FEED PRICE RATIO: Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk 3/	2.19	3.13	3.36

1/ Partially revised. 2/ Preliminary. 3/ For this data series, the price of the commercial prepared feed is based on current U.S. prices received for corn, soybeans, and alfalfa hay and all wheat.

SOURCE: "Agricultural Prices," Pr 1 (5/04), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF MAY 31 – JUNE 4			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 05/28/04	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-42,309	11,741,078	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	1,600,560	-0-	-0-
TOTAL	-0-	-0-	-0-	-42,309	13,341,638	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	3,840,106	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	5,545,706	-0-	-0-
Process	-0-	-0-	-0-	-0-	29,066,400	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	38,452,212	-0-	-0-
NONFAT DRY MILK							
Nonfortified	4,736,683#	-0-	4,736,683#	286,935,943#\$	482,481,306	678,080,000	1,276,377,000
Fortified	-0-	-0-	-0-	-119,048	125,332	46,391,000	46,391,000
TOTAL	4,736,683	-0-	4,736,683	286,816,895	482,606,638	724,471,000	1,322,768,000

Export Donation Program under Invitation 080 to announcement FMPl. The estimated cumulative under Invitation 080 is 45,634,521. \$ Includes export donation deliveries under Invitation 070.

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF MAY 31 – JUNE 4, 2004 =	1.0	55.1	COMPARABLE PERIOD IN 2003 =	-8.1	131.5
CUMULATIVE SINCE OCTOBER 1, 2003 =	62.2	3,338.5	CUMULATIVE SAME PERIOD LAST YEAR =	751.9	5,999.8
CUMULATIVE JANUARY 1 – JUNE 4, 2004 =	36.7	1,989.3	COMPARABLE CALENDAR YEAR 2003 =	677.8	4,734.2

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF MAY 31 – JUNE 4, 2004 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	4,736,683	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
CENTRAL	-0-	-0-	-0-	29,277,972	7,646,276	18,101,758	2.7	36.5
WEST	-42,309	13,341,638	-0-	9,174,240	274,886,845	430,605,723	95.8	62.5
EAST	-0-	-0-	-0-	-0-	4,283,774	33,899,157	1.5	1.0
TOTAL	-42,309	13,341,638	-0-	38,452,212	286,816,895	482,606,638	100.0	100.0

NDM SELLBACK TO THE TRADE The cumulative sellback total for 2004 is **66,666,155 pounds**.

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 05/15/04 & Comparable Week 2003

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1
2004-Dairy	0.1	0.6	6.7	2.1	17.8	1.9	0.4	0.8	10.2	1.8	42.3	933.2
2003-Dairy	0.1	0.8	6.8	4.1	21.0	2.0	0.2	0.9	12.5	3.2	51.7	1,130.5
2004-All cows	0.1	0.6	8.2	10.3	28.6	14.1	14.8	3.0	12.7	4.5	96.9	1,939.6
2003-All cows	0.2	1.0	9.2	13.8	31.1	16.8	14.8	3.3	15.2	6.9	112.2	2,296.1

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.85	11.59	11.94	13.64	19.65	21.13						
II	11.67	12.90	14.79	15.21	15.03							
III	11.61	11.89	14.49	19.66	20.58							
IV	10.97	12.21	14.10	14.57	14.50							

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cis_prod_cmp_pr.htm